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STATE OF MONTANA

BOULDER RIVER SCHOOL AND HOSPITAL

REPORT ON EXAMINATION

Fiscal Year Ended June 30, 1969



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BOULDER RIVER SCHOOL AND HOSPITAL
REPORT ON EXAMINATION
Fiscal Year Ended June 30, 1969

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TABLE OF CONTENTS

	<u>Page</u>
Appointive and Administrative Officials	v
Summary of Recommendations	vi
Scope of Examination and Opinion	1
Comments:	
General	2
Books of Original Entry	4
Internal Control Over Cash Transactions:	
Accountability for Cash	5
Depository Procedures	6
Cash Payouts of Local Funds	7
Safe Combination Records	7
Contingent Revolving Fund	8
Accounting System:	
Financial Statements	9
Reimbursement Programs	10
Payroll Accounting	11
Budgetary Accounting	11
Financial Position:	
Accounts Receivable:	12
Accounts Receivable - Collections	12
Accounts Receivable - Trade	13
Accounts Receivable - Special Trade	14

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Special Milk Program	15
Fire Loss	15
Contingent Liability Account	16
Contingent Liability	16
Stores and Farm Operations:	17
Stores	17
Perpetual Inventory Records	18
In-Kind Goods and Services	19
Institution-Wide Inventory Recordkeeping	20
Farm Production	20
Farm Operation	21
Canteen Operation:	22
Accounting System	22
Canteen Inventory	23
Agency Fund:	23
Accounting for Assets	23
Emma Offerdal Bequest	24
Series H United States Savings Bond	25
Accounting for Specific Gifts	25
Residents' Investments	26
Payroll:	26
Attendance Reporting	26
Vacation and Sick Leave Records	26
Professional Employment Contracts	27
Budgeting for Part-Time Employees	27
Employee Turnover Rate	28

TABLE OF CONTENTS (Continued)

Page

Capital Construction Appropriations:		
Non-Recording of Inter-Fund Transfers		29
Inter-Project Transfers of Funds Without Approval		30
Transfer of Funds Between Biennial Appropriations		30
Over-All Review of System of Budgeting, Accounting and Legal Statutes Relating to Construction Programs		32
Unpaid Encumbrances - General Fund		33
General Fixed Assets		34
Revenue:		36
Residents' Per Diem		36
Authorization for Transferring Funds From Residents Accounts to Recreation Fund		38
Resident Insurance Policies		38
Control Agencies Accounting:		39
Commingling of Specific Program Monies		39
Inter-Program Transfers		40
Physician's Genetic Research Fund		40
Conclusion		42
 Financial Statements:	<u>Exhibit</u>	
Balance Sheet, All Funds, June 30, 1969	A	43
Statement of Changes in Fund Balance, Fiscal Year Ended June 30, 1969:		
All Funds	B	44
Federal and Private Revenue Fund	B-1	45
Bond Proceeds and Insurance Clearance Fund	B-2	46
Agency Fund	B-3	47

TABLE OF CONTENTS (Continued)

	<u>Exhibit</u>	<u>Page</u>
Statement of Expenditures, All Funds, Fiscal Year Ended June 30, 1969	C	48
Statement of Expenditures and Encumbrances Compared with Appropriations, Fiscal Year Ended June 30, 1969:		
General Fund	D	50
Federal and Private Revenue Fund	D	50
Statement of Expenditures and Encumbrances Compared with Appropriations, Bond Proceeds and Insurance Clearance Fund, Bienniums Ended June 30, 1967 and June 30, 1969	E	51

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

Board of Institutions

John M. Cross, C.P.A., Chairman	Glendive	1970
Ella Mae Cromer	Butte	1971
Willis M. McKeon	Malta	1972
John W. Strizich, M.D.	Helena	1973
Richard V. Bottomly	Great Falls	1974

Department of Institutions

Edwin G. Kellner, Director

Boulder River School and Hospital

Stephen J. Chiavarro, Superintendent

SUMMARY OF RECOMMENDATIONS

	<u>Page</u>
Establish a general journal.	5
Prepare collection reports and reassign cash duties.	6
Record cash daily, use restrictive endorsements, and deposit on a timely basis.	7
Record and deposit cash receipts intact and establish an imprest cash fund for payouts of local funds.	7
Maintain records showing dates safe combination changed and employees having a knowledge of the safe combination.	8
Categorize assets accruing to the contingent revolving fund for financial statement purposes.	9
Prepare financial statements on a fund basis.	10
The state controller prescribe budgetary and accounting requirements for federal reimbursable programs.	10
The state auditor and state controller provide additional payroll accounting and industrial accident information to the agencies.	11
The state controller consider performing all budgetary accounting for the state institutions.	12
Determine the validity of the accounts receivable-- collections account.	13
Submit to the department of institutions all known facts about the accounts receivable-- trade and accounts payable--trade balances for proper disposition.	14
The department of institutions determine the proper disposition of the accounts receivable-- special trade balance and record as purchases and sales, the exchange of goods and services between institutions.	14

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
Utilize special milk program funds for payment of milk supplied other state institutions.	15
Transfer fire loss proceeds in the insurance clearance fund to the general fund.	15
Transfer funds set aside in the federal and private revenue fund for a contingent liability to the general fund.	16
Revise requisitioning procedures to provide for numerical control, sampling to see that orders are properly filled, appropriate signatures, and supervisory approval.	18
Establish perpetual stores inventory records, take physical inventories and resolve discrepancies.	19
Discontinue furnishing employees food, meat, supplies and farm products and furnish housing and meals as required at realistic prices.	19
The department of institutions and the state controller establish uniform procedures for all institutions for controlling stores inventories.	20
Establish perpetual inventory system on a unit basis for farm production and livestock.	21
The department of institutions consider implementing M.S.U. college of agriculture recommendations regarding the institutional farm-ranch complex.	22
Establish enterprise accounting system for canteen operation.	22
Establish sound canteen pricing policy, dispose of unsalable merchandise, revise merchandising practices, and take annual inventories.	23
Record in books of account the shares of Investors Mutual, Inc. and U.S. savings bond.	24
Obtain legal determination regarding Emma Offerdal bequest.	25

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
Utilize special milk program funds for payment of milk supplied other state institutions.	15
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Obtain legal determination regarding Emma Offerdal bequest.	25

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
Correspond with the bureau of public debt in regard to donated savings bond.	25
Account for specific gifts separately.	25
Include in the accounting records residents' investments.	26
Revise payroll attendance reporting procedures.	26
Maintain vacation and sick leave records.	27
Formalize part-time professional employment agreements.	27
Show actual "full-time equivalency" in budget requests.	28
Transfer funds to projects where expenditures should be applied.	29
Obtain written approval for inter-project transfer of funds and state controller refuse to process unrelated claims against specific projects.	30
The state controller require valid obligation prior to encumbering funds, disencumber current unwarranted encumbrances, and establish year-end encumbrance review activity.	32
The state controller submit to next legislative assembly a plan for controlling and accounting for construction appropriations.	32
Cancel old outstanding purchase orders and state controller periodically evaluate all outstanding purchase orders.	34
Establish system of accounting for general fixed assets.	34
The department of institutions review residents' per diem assessments.	37
Require proper authorizations for charges to residents' accounts.	38
Establish better control over billings for insurance covering residents.	38

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
The state controller account separately for individual programs within federal and private revenue fund.	39
The state controller require proper authorizations for interprogram fund transfers and record authorized transfers as receivable/payables.	40
The board of institutions establish policy regarding the use of state facilities for private enterprises and determine the amount due the state from the physician's genetic research fund. .	42



STATE OF MONTANA
Office of the Legislative Auditor
STATE CAPITOL
HELENA, MONTANA 59601

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the Montana boulder river school and hospital as of June 30, 1969, and the related statements of operations, as set forth in the table of contents in this report, for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements have been prepared on the cash basis of accounting and do not show financial position or operating results as do statements prepared on the modified accrual basis in accordance with generally accepted accounting principles applicable to governmental units.

Fixed assets are not accounted for under the generally accepted categories of land, buildings, improvements, equipment, and livestock nor are supporting subsidiary detail records maintained. General ledger accounts have not been adjusted to physical inventories.

Because of the materiality of the exceptions described in the preceding paragraph and in the comments section of this report, we are of the opinion that the general fixed assets account group as shown in the accompanying

balance sheet does not present fairly the financial position of that account as of June 30, 1969.

In our opinion, subject to the exceptions described in the preceding paragraphs, the accompanying financial statements, except for the general fixed assets account group, present fairly the financial position of the boulder river school and hospital as of June 30, 1969, and the results of its operations for the year then ended, in accordance with generally accepted governmental accounting principles applied on a basis consistent with that of the preceding year.

We submit the financial statements listed in the preceding table of contents together with the following comments.

COMMENTS

GENERAL

The boulder river school and hospital was established in 1893 in Boulder. The institution was originally known as the state school for the deaf, blind and feeble-minded and was placed under the supervision of the state board of education. In 1937, a separate institution was established for the deaf and blind in Great Falls and the Boulder institution was renamed the Montana state training school. The name was expanded to include the term hospital by the 1959 legislature and in 1967, the name was changed to boulder river school and hospital.

With the establishment of the department of institutions in 1963, supervision of the Boulder facility was transferred from the board of education to the department and board of institutions where it presently resides.

The primary function of the school is the care, treatment, training and education of mentally retarded persons. Mental retardation is defined as ". . . a state of subnormal development of the human organism which results in the mental incapability of the person affected to adapt himself to the daily demands of his social environment."

Admission to the school is dependent upon application made by a parent or guardian or by an interested person. If application is made by someone other than the parent or guardian, it must be filed with the clerk of district court. In either case, the application must be supported by the affidavits of two physicians or one psychologist acceptable to the department of institutions and one physician. Applications are filed with and acted upon by the department of institutions. Temporary admissions during temporary or seasonal decreases in population (not to exceed 60 days) are permitted.

The Boulder institution owns 1,320 acres of land of which 170 acres is utilized for the administration, hospital, and housing and the balance is used for a farming/ranching operation. The main farm/ranch enterprise is dairying which supplies all the milk and cream used at the institution as well as partially supplying the needs of the institutions at Twin Bridges and Helena.

A 1968 study indicated a population of 839 residents of which approximately 56% were under the age of 25 years. As computed by the institution, the average residency for the fiscal year was 757.

General fund expenditures for the support of the boulder river school and hospital totaled \$2,313,216 for the year 1968-69. Average daily cost per resident for the year as computed by the school was \$9.25 exclusive of capital expenditures but including funds received from other sources. Collections of residents' care and maintenance charges and employees' housing and maintenance charges totaled \$240,367 and were remitted to the general fund.

BOOKS OF ORIGINAL ENTRY

Books of original entry usually consist of a general journal and special journals designed to provide separate chronological records of the repetitive types of transactions of more than one fund. A general journal, then, should be used solely for recording adjusting entries, closing entries, and other transactions occurring too infrequently to justify establishing a special journal.

The boulder river school and hospital maintains various special journals, e.g., cash receipts, cash disbursements, voucher journal, but it does not maintain a general journal. Instead, the voucher journal (claims filed register) is used as the book of original entry not only for claims filed with the state

controller but also for adjusting, closing, and other infrequent entries. The commingling of these dissimilar entries within one journal results in a cumbersome system.

RECOMMENDATION

We recommend that a general journal be established as the book of original entry for recording adjusting entries, closing entries and other infrequently occurring transactions.

INTERNAL CONTROL OVER CASH TRANSACTIONS

Ideally, the system of internal control over cash transactions should provide assurance that (1) all cash which should have been received was in fact received and recorded, (2) cash disbursements have been made only for authorized purposes and have been properly recorded, and (3) cash on hand and in bank is accurately stated and subject to appropriate safeguards.

In our review of internal control over cash transactions, we found weaknesses which we believe should be corrected. The implementation of our recommendations which follow will correct these weaknesses and also provide an effective system of internal control.

Accountability for Cash

Proper accountability for cash has not been established at the initial point of receipt. Formalized reports of collections should be prepared by the personnel responsible for opening the mail. In addition, a further segregation of duties should be made so that a single individual is not responsible for receiving cash as well as having control over the recording of cash. We suggest that the duties relative to the handling of cash be reassigned as follows:

<u>Employee</u>	<u>Duties</u>
Director of Cottage Life	Open children's mail, prepare report of collections in duplicate.
Other Designated Employees Assigned the Responsibility for Opening Mail	Open other mail, prepare report of collections in duplicate.
Assistant Accountant	Receive money and original copy of reports of collections, post cash receipts journal, and prepare bank deposit slip in duplicate.
Business Manager	Receive duplicate copies of reports of collections and bank deposit slips, compare on test basis, and retain for audit.
Accountant	Post to general ledger and reconcile bank account.

RECOMMENDATION

We recommend that reports of collections be prepared at the initial point of the receipt of cash and that duties relative to the handling of cash be reassigned in accordance with the foregoing chart.

Depository Procedures

Cash receipts are not always recorded daily and restrictive endorsements are not being stamped on checks at the time of their receipt as is recommended. When money is received, the proper disposition of which is uncertain, it is not recorded until the proper disposition is determined. Other state agencies have adopted the practice of depositing monies of questionable disposition to state treasurer's clearance accounts until the proper disposition is determined and then transferring the money to the proper account. Restrictive endorsements should be promptly stamped on checks received to limit their negotiability.

RECOMMENDATION

We recommend that receipts and reports of collections be recorded and that restrictive endorsements be promptly stamped on checks received, and that money received, the disposition of which is uncertain, be deposited to a treasurer's clearance account until proper disposition can be determined.

Cash Payouts of Local Funds

In order to make cash disbursements when immediate cash outlay is required (e.g., disbursements to residents, freight companies, etc.) the institution's present procedure is to withhold sufficient amounts from receipts to make these disbursements and deposit the balance. All cash receipts should be recorded and deposited intact. This procedure will be an important improvement in control over cash.

A solution to the immediate disbursement of cash would be to establish an imprest cash fund from the institution's contingent revolving fund. Properly supported cash disbursements could be made from the imprest fund and be reimbursed upon submission of a claim charging the proper fund.

RECOMMENDATION

We recommend that the agency:

- 1) Record and deposit cash receipts intact.
- 2) Establish an imprest cash fund from the contingent revolving fund upon which to make cash payments.

Safe Combination Records

The institution does not keep a record showing the date the safe combination was last changed and the names of the employees that have knowledge of the

combination. The combination to the safe has not been changed recently although at least one employee who knew the safe combination has left the employment of the institution.

RECOMMENDATION

We recommend that a journal record be maintained showing the date the safe combination was changed and the names of the persons knowing the combination and that a policy be initiated whereby the combination will be changed whenever the responsibility for the contents of the safe is no longer appropriate to a person having knowledge of the combination.

CONTINGENT REVOLVING FUND

Section 79-602, R.C.M. 1947, gives the state controller the authority to establish, under specific regulations, contingent revolving funds at state agencies. An imprest system is used for handling payments that will be made directly by the agency from a fixed amount of money, designated as revolving fund cash, advanced to the agency for this purpose. At certain intervals, monthly in the case of boulder river school and hospital, a claim with substantiating invoices is prepared and the revolving fund cash account is replenished for the amount of disbursement by a warrant drawn on the state treasury against the proper appropriation. The total of revolving fund cash on hand plus the amount of signed receipts or invoices paid must equal the total amount of revolving fund cash authorized at any point in time.

Advances totaling \$5,000 have been made from the general fund to the boulder river school and hospital. As of June 30, 1969, signed receipts or invoices paid totaled \$749 which non-cash items should be categorized to show the nature

of the assets they represent for financial statement purposes, e.g., deferred charges or due from other funds.

RECOMMENDATION

We recommend that the non-cash items which have been paid out of the contingent revolving fund be categorized to show the nature of the asset for financial statement purposes.

ACCOUNTING SYSTEM

Financial Statements

The diverse nature of governmental operations and the necessity of determining legal compliance preclude a single unified set of accounts for recording and summarizing all the financial transactions of a governmental unit. Instead, the required accounts are organized on the basis of funds, each of which is completely independent of any other. Each fund must be so accounted for that the identity of its resources, obligations, revenues, expenditures, and fund equities is maintained. These purposes are accomplished by providing a complete self-balancing set of accounts for each fund which show its assets, liabilities, reserves, fund balances, revenues, and expenditures. The financial statements and schedules should be prepared directly and exclusively from the accounts and should include, for adequate reporting of governmental finances, balance sheets, operating statements, and final budget reports on an individual basis.

The boulder river school and hospital prepared pre-closing and post-closing combined funds trial balances as of June 30, 1969. We felt it necessary, for adequate disclosure of the financial position and results of operations of the institution, to construct for this report the required financial statements on an individual fund basis (See Exhibits).

RECOMMENDATION

We recommend that the institution prepare its required financial statements on a fund basis in accordance with generally accepted accounting principles for governmental units.

Reimbursement Programs

Boulder river school and hospital has been conducting programs for which monies have been allocated from federal and private revenues but which programs require the original expense payments to be made from the institution's funds. These payments will then be reimbursed, in whole or in part, by the funds allocated. Formal records of amounts receivable under these programs have not been maintained. One reimbursement (\$1,449) relating to a 1966 program was not received until 1969 because a billing was neglected through oversight. We believe that formal records of these interfund receivables are necessary to assure that reimbursement is received and refunded to the proper fund.

A large number of state agencies administer programs which are either wholly or partially financed by federal funds. To provide consistency and uniformity in the accounting for such projects, we believe the state controller should establish on a state-wide basis the necessary accounting requirements for federal reimbursable programs.

RECOMMENDATION

We recommend that the state controller prescribe the manner in which federal reimbursable programs are to be budgeted and accounted for.

Pavroll Accounting

The Boulder institution is utilizing the central pavroll division of the state auditor's office for the preparation of its bi-weekly payrolls. The central payroll unit currently totals the pavroll by location but further breakdowns are made at considerable expense by the institution to facilitate budgeting and program costing. Similarly, a substantial amount of time is expended monthly at the agency level in classifying the pavroll for preparation of the industrial accident report. It should be relatively simple to expand the central pavroll coding system to include not only a location code but detail and I.A.B. codes which would enable the computer to provide totals for all three coding systems.

RECOMMENDATION

We recommend that the state auditor's office in conjunction with the state controller consider expanding the central payroll division employee coding system in order to provide detail and I.A.B. totals to the agencies it serves.

Budgetary Accounting

Substantial amounts of time are spent by the accounting staff at the institution in manually maintaining detailed records of expenditures by object code. Object code detail of expenditures is also maintained by the accounting division of the department of administration through electronic data processing methods. The two records are compared monthly to assure that they are in agreement. We believe that the detailed records maintained by the institution, although slightly more detailed, are an unnecessary duplication of effort and that the time involved in performing this function could be better utilized in

other accounting functions. The object coding system in use by the accounting division could be expanded to provide further necessary detail.

RECOMMENDATION

We recommend that the state controller determine the feasibility of performing all budgetary accounting both by program and object code as a service to the institutions enabling them to discontinue the manual maintenance of detailed expenditure records.

FINANCIAL POSITION

Accounts Receivable

Boulder river school and hospital is carrying accounts receivable on its records under three different classifications:

Accounts Receivable, Collections	\$.1,280
Accounts Receivable, Trade	23,736
Accounts Receivable, Special Trade	18,676

Accounts Receivable, Collections - \$1,280

Section 10, Chapter 213, Session Laws of 1963, repealed Sections 38-808 through 38-809.1, R.C.M. 1947, and shifted the responsibility for collecting resident care, maintenance, clothing, and support from individual institutions to the department of institutions. Prior to this time, boulder river school and hospital had been billing the residents' county welfare funds for such costs and two sets of accounts were maintained-- maintenance and clothing. The actual transfer of responsibility for billing was not effectuated until October 1, 1964, at which time the maintenance accounts were transferred but the clothing accounts were left on the books at Boulder.

The individual county balances composing the total appear to have arisen as a result of interpretation of the law as taking effect July 1, 1963, or through disputes over the amounts of billings. The balances of three counties which were billed through September 30, 1964, but which did not make any remittances after July 1963, total \$934 and the remaining balance is composed of presumably disputed amounts.

RECOMMENDATION

We recommend that the institution and the department of institutions determine the validity of the accounts receivable--collections account and, dependent upon its validity, attempt to make collection or obtain proper approval to write the balance off.

Accounts Receivable, Trade - \$23,736

No significance can be attached to this balance unless a contra account, Accounts Payable, Trade - \$23,427, is also considered, the net difference being \$309. The net difference cannot be identified as to individual debtor or creditor.

The two accounts were originally established as trade accounts between boulder river school and hospital and other state institutions. Activity in the accounts was ceased at June 30, 1964, the last point in time when the subsidiary record could be reconciled to the net difference between the two control accounts. Activity in the accounts was resumed during 1967 when accounts were established for suppliers with whom the institution was trading dairy and meat products. The subsidiary records have not been kept up-to-date since that time but all indications are that the trade accounts with the suppliers were settled through receipt or disbursement of cash early in 1968.

Since the net difference in the account is immaterial and unidentifiable, the balances should be written off.

RECOMMENDATION

We recommend that the known facts about the accounts receivable - trade and accounts payable - trade balances be submitted to the department of institutions for disposition.

Accounts Receivable, Special Trade - \$18,676

This account was established in July 1968, for the purpose of recording surplus dairy products which are being provided to the Montana children's center and mountain view school by the Boulder institution.

The transfer of the dairy products to the other institutions has been approved by the department of institutions but there was no provision for payment when the practice was adopted. We believe that in order to provide accurate financial information for individual institutions it is necessary that such transfers be handled under a purchase and sale agreement with the purchasing institution paying the selling institution by interagency transfer of funds.

RECOMMENDATION

We recommend that:

- (1) The department of institutions determine the proper disposition of the recorded receivable.
- (2) Exchanges of goods and services between institutions be treated as purchases and sales on the books of the individual institutions to assure accurate financial information.

Special Milk Program

Both the Montana children's center and mountain view school receive funds under the federal special milk program which funds are restricted to the purchase of milk and/or supplies and equipment that promote the consumption of milk. Since these two institutions are presently receiving milk from the Boulder dairy at no charge, we believe consideration should be given to the utilization of special milk program funds to pay for the milk.

RECOMMENDATION

We recommend that consideration be given to the utilization of special milk program funds received by the children's center and mountain view school to pay for milk these institutions receive from boulder river school and hospital.

Fire Loss

As shown on Exhibit B-2, the boulder river school and hospital received insurance proceeds of \$748 during the 1968-69 fiscal year. This receipt was for a fire loss suffered in a dormitory. We are informed that the damage done by the fire, largely destructive of bedding and supplies, was of such a nature that the replacement or repair costs were unidentifiable when they were incurred and that the replacements and repairs have been made and paid for out of the regular operations and capital appropriation. We believe the balance in the insurance clearance account should be transferred to the general fund as revenue.

RECOMMENDATION

We recommend that the balance in the insurance clearance fund be transferred to the general fund as revenue.

Contingent Liability Account

The Boulder institution received a federal grant (Student Work Experience and Training Grant) for the period May 1, 1966, to December 31, 1966. The U.S. department of health, education and welfare questioned expenditures totaling \$1,145 in connection with this grant because the costs were both incurred and disbursed one and one-half years after the project closing date without written approval and because the expenditures were for purposes not authorized by the grant award. Upon the questioning of these costs, the institution transferred \$1,145 to the federal and private revenue fund (Account 410404) from its general fund personal services appropriation (73511). Consequently, this amount remains in the federal and private revenue fund under the S.W.E.A.T. program. At the date of this writing no request for reimbursement has been received from the federal authorities.

RECOMMENDATION

We recommend that the \$1,145 be returned to the general fund as revenue.

Contingent Liability

A draft copy of a federal audit report on the Montana E.S.E.A. Title I projects administered by the department of public instruction for the fiscal years 1966, 1967 and 1968, noted project expenditures at the boulder river school and hospital which in the opinion of the federal auditor should not be allowable costs under the terms of the grant. His reasoning is that the costs could not have benefited the project since the items for which the expenditures were made were not received until after the project closing date of August 31, 1968. These expenditures totaled \$17,106 and were for capital equipment and a tennis court on which construction had not started as of project closing date.

An official audit report has not been received by the department of public instruction to date. Consequently, the disposition of these items is uncertain. It is possible, but not likely, according to officials of the department of public instruction, that boulder river school and hospital will be required to reimburse the federal program for a part or all of the questioned costs.

STORES AND FARM OPERATIONS

Proper accounting procedures call for control over inventory items. Department of institutions central office directive #426.1, section D, instructs institutions to maintain materials and supplies record cards on a unit basis. Boulder river school and hospital does not maintain proper accounting control over stores, meat, and farm produce.

STORES

Under present procedures, all stores purchases (including dry or non-perishable food items, janitorial supplies, linens, etc.) are charged directly to a stores inventory general ledger account. This account is then relieved monthly of the items withdrawn by requisition. However, the requisitioning procedure leaves much to be desired--the pricing and extending of withdrawals is difficult and unreliable and the control account has not been adjusted to an actual physical count for at least several years. As a consequence, the control account balance is meaningless (\$163,622 at 6-30-69 as compared to \$142,174 at 6-30-68) and the considerable effort expended in charging and relieving the account is wasted.

Requisitioning procedures presently do not provide the following necessary controls:

- (1) Numerical control over requisitions--without this control there is no assurance that all requisitions which have been filled will be received by the

accounting office as the source for relieving the control account.

(2) Duplicate copies of requisitions are not made or retained for comparison with the original after the order has been filled--without duplicate copies for comparison it would be possible for an employee to add items to the requisition after supervisory approval has been noted on the requisition.

(3) The signature of the person receiving the goods is not required--without this requirement it would be possible for the storekeeper to charge a department for more goods than might actually have been delivered.

RECOMMENDATION

We recommend that the institution revise its requisitioning procedures to include the following:

- (1) Numerical control over requisitions.
- (2) Duplicate copies of requisitions to be compared, on a test basis, with the originals after the orders have been filled.
- (3) Signatures for receipt of goods.
- (4) Proper supervisory approval in all instances.

Perpetual Inventory Records

Perpetual inventory records are not maintained separate from the storekeeping function. Although strong requisitioning procedures might provide physical control, there also should be accounting control over inventories. This would indicate that there should be accounting records to compare periodically with actual physical counts. We concur with the department of institutions directive that stock record cards be maintained on a unit basis but add that these cards should be maintained independently of the store, i.e., the cards should be maintained by the institution's accounting division.

RECOMMENDATION

We recommend that boulder river school and hospital establish perpetual stores inventory records and maintain them on a unit basis, that physical inventories be taken at least annually and counts compared with perpetual inventory records, and that material discrepancies be properly resolved.

In-Kind Goods and Services

During the fiscal year reviewed the superintendent and five other employees of the Boulder institution received stores, meats, and farm produce for their personal usage. The superintendent's employment contract authorizes him to draw on these sources but we found no authority for the other employees to engage in such practice. Based on incomplete records, we calculate that each of these individuals, on the average, received \$31.25 worth of stores (at cost) and 52 pounds of meat per month in addition to unknown quantities of milk, eggs, and other farm products and an indeterminable number of meals at the food service. Each of these employees was charged \$30 per month for maintenance.

We believe that this practice should be discontinued immediately. We do not believe that the problem of inadequate salaries should be pursued through the issuing of "in-kind" goods and services, i.e., low-cost housing and maintenance should not be used as supplements to salaries. Rather, realistic salaries should be paid and housing and maintenance be provided when conditions demand it and then at realistic prices.

RECOMMENDATION

We recommend that:

- (1) The practice of furnishing employees (excepting the superintendent) food and supplies from the store, butcher shop, and farm be discontinued immediately.

.2) The furnishing of housing and meals to employees be practiced only when conditions require it and then at realistic prices.

Institution-Wide Inventory Recordkeeping

Based on our observations of the inventory controls at the Boulder and Twin Bridges institutions, we believe the department of institutions should consider the establishment of a uniform system for all the institutions under its supervision.

This should be done in conjunction with advice from the state controller's office to insure that the system would be compatible with inventory control procedures that will be developed by that office. We believe that the primary consideration in devising the system should be the concept of numerical unit control as opposed to unit price control. The pricing out of such volatile items as stores does not, in our opinion, provide sufficient management information, except perhaps for year-end financial statement purposes, to warrant the cost that would be involved in maintaining an accurate dollar record of stores inventories. The stores inventory could be priced for year-end financial statement purposes if it is believed the information would be meaningful.

RECOMMENDATION

We recommend that the department of institutions in conjunction with the state controller's office establish a uniform system of inventory control for all the institutions under its supervision.

FARM PRODUCTION

Accounting control over farm products and livestock at the institution is weak. The business office records production of dairy products and crops but

no record of their disposition is maintained (except for the dairy products delivered to other institutions). Livestock inventory records are not maintained.

We believe a system such as we have recommended for stores inventory control is equally applicable to farm production and livestock.

RECOMMENDATION

We recommend that the institution's accounting office establish and maintain a perpetual inventory system for farm production and livestock on a unit basis and that the system provide for a requisitioning process similar to that recommended for stores and meats.

FARM OPERATION

The Montana state university college of agriculture published "An Economic Report on the Farms and Ranches Operated by the Department of Institutions in Montana" in December 1968. In this report, the economic value of the farming operation at Boulder was questioned although a surface examination indicates a net return on operations of \$23,969 for the year reviewed. Certain expenses were not considered in this analysis because the accounting system employed does not allocate them, e.g., utilities, gas, oil, grease, tires.

The major recommendations made in the report were:

- (1) Consider integrating food production and processing operations for the entire farm-ranch complex operated by the department of institutions.
- (2) Develop a system of accounts which will provide useful management information, e.g., an enterprise accounting system.
- (3) Consider hiring a full-time farm manager to manage the entire complex.

We believe the observations and recommendations contained in the report have considerable merit and deserve careful consideration. Certainly the accounting system at Boulder leaves much to be desired in the way of management information and for economic evaluation purposes.

RECOMMENDATION

We recommend that the department of institutions give proper consideration to implementation of the recommendations contained in the M.S.U. college of agriculture report on the institutional farm-ranch complex.

CANTEEN OPERATION

Accounting System

A canteen operation was initiated at the boulder river school and hospital during 1965 with the intent of providing a source of recreation for the residents. The canteen stocks confectionaries and sundry items which are sold to the residents at prices which are lower than those of private businesses.

Since the canteen is not an appropriated program, operations have been financed through the recreation account within the agency fund. We do not believe, however, that this excuses the administration from the responsibility of establishing adequate controls and policies for its operation.

The income and expenditures of the canteen are not accounted for separately but are commingled with other transactions within the recreation account. As a consequence, it is virtually impossible to determine whether or not the operation is self-sustaining.

RECOMMENDATION

We recommend that an accounting system be established for the canteen separate from other transactions within the recreation account that will facilitate management analysis of the operation.

Canteen Inventory

There is no established resale pricing policy for the canteen inventory. Some prices are set by obtaining the retail prices at private businesses and marking those prices down 10 percent.

The canteen inventory at the date of our examination included numerous items which most residents are either prohibited from having or for which they have no need.

Physical inventories of canteen merchandise have been made but they have not been accurately costed and adjusted to reflect the doubtful salability of some items. Adequate physical inventories are requisite to the reflection of accurate operating results.

RECOMMENDATION

We recommend that:

- (1) A sound canteen pricing policy be established.
- (2) Management dispose of the merchandise which is not readily salable to residents and establish a sound merchandising policy for the canteen operation.
- (3) A physical inventory of canteen merchandise be taken at least annually, that the inventory be valued at cost, and that operating results be determined.

AGENCY FUND

Accounting for Assets

In September of 1965, the institution received a bequest of 565.747 shares of Investors Mutual, Inc. from the estate of Emma Offerdal. This bequest has

never been recorded as an asset on the books of the institution despite the fact that the shares are still held in the name of the Montana state training school and hospital and cash dividends continue to be received on a regular basis.

Similarly, a Series H United States savings bond in the amount of \$500 was donated to the school in April 1968, and the bond has never been recorded as an asset.

RECOMMENDATION

We recommend that the shares of Investors Mutual, Inc. and the Series H U.S. savings bond be recorded as assets in the books of account of the institution.

Emma Offerdal Bequest

The will of Emma Offerdal specified preferred usage of the bequest of Investors Mutual shares. The Montana children's center at Twin Bridges, has received an identical bequest from the estate and requested and received an opinion from the attorney general's office as to the proper disposition of the bequest. Briefly, the opinion was that the institution must either transfer the bequest to the Montana trust and legacy fund or expend it for capital improvements to buildings or equipment. If the first alternative were selected, the bequest would be under the control of the state to be used for "the general support, maintenance or improvement of such institution by the state of Montana." Boulder river school and hospital has continued to hold the Investors Mutual shares and has credited the income from the bequest to the recreation account within the agency fund.

RECOMMENDATION

We recommend that a legal determination be made as to the proper disposition of the Emma Offordal bequest and its related income and that these amounts be utilized in accordance with the legal determination.

Series H United States Savings Bond

The aforementioned Series H United States savings bond states on its face that it is "not transferable" and since the owner of record is not boulder river school and hospital, its value to the institution is questionable. We believe the institution should submit full details of the ownership of the bond to the federal bureau of public debt and request a determination of whether or not it can cash the bond.

RECOMMENDATION

We recommend that the institution determine whether or not it can cash the donated Series H savings bond by corresponding with the bureau of public debt.

Accounting for Specific Gifts

Historically, the institution has credited all gifts and devises received to the recreation account within the agency fund. Where gifts or devises are received with specific instructions as to their disposition, such gifts or devises should be accounted for separately to assure that they are disposed of in accordance with the terms set forth.

RECOMMENDATION

We recommend that gifts and devises which specify the means of disposition be accounted for separately to assure proper disposition.

Residents' Investments

As of September 4, 1969, boulder river school and hospital had in its custody, U.S. savings bonds issued in the names of individual residents totaling \$5,675 and a savings account passbook denoting a balance of \$33. These amounts have not been recorded in the books of the institution and accordingly are not properly controlled.

RECOMMENDATION

We recommend that all residents' investments be incorporated into the formal accounting records to establish proper control.

PAYROLL

Attendance Reporting

Proper internal control procedures dictate that attendance reports be prepared for all employees, that proper supervisory approval be noted on all attendance reports, and that attendance reports be prepared and signed in ink to prevent alteration. Instances were noted at Boulder where certain emnployees (e.g., superintendent, physician, and dentist) do not submit attendance reports, some attendance reports did not denote supervisory approval, and some were prepared and/or signed in pencil.

RECOMMENDATION

We recommend that attendance reports be submitted for all employees, properly approved, and prepared in ink.

Vacation and Sick Leave Records

Vacation and sick leave records are not maintained for some employees, e.g., superintendent, physician, and dentist. We believe there should be an accounting

for leave earned and taken for all employees in order to prevent misunderstandings such as might arise in the case of an extended illness.

RECOMMENDATION

We recommend that leave records be maintained for all employees.

Professional Employment Contracts

A part-time physician and a part-time dentist are employed by the institution. Both of these individuals operate private practices in addition to their duties at the institution, yet there are no formal employment contracts with these doctors. We believe that formal agreements setting forth the rights and duties of both the employer and the part-time employee are needed to prevent disputes and resolve problems which might arise. An example of a question which should be formally resolved is the right of the doctors to receive fees from other sources for services which are actually related to their employment at the institution. During the fiscal year examined, the part-time dentist received \$4,225 in fees and expenses from the Montana department of health for conducting nine seminars pertaining to dental care for the mentally retarded and the part-time physician received \$675 for lecturing at these seminars.

RECOMMENDATION

We recommend that all part-time employment agreements with professional staff be formalized setting forth the rights and duties of the employer and the employee.

Budgeting for Part-Time Employees

The 1969-71 budget request submitted by boulder river school and hospital denoted incorrect "Full Time Equivalent" (FTE) information for both the part-time

physician and part-time dentist as follows:

	<u>Budgeted</u>	<u>FTE</u> <u>Actual</u>
Physician	1.00	Part (.66 estimated)
Dentist	.40	.20 (plus emergencies)

This erroneous budget presentation is misleading to the department of institutions, the budget director, legislative fiscal analyst, and the legislators themselves. The budget director indicated he was under the impression that the budget presentation was correct.

RECOMMENDATION

We recommend that the "Full Time Equivalent" shown in the budget request be as close to actual as is possible (footnote if necessary) regardless of the salary requested for the position.

Employee Turnover Rate

The employee turnover rate at the Boulder institution is very high. During fiscal 1968-69 the staff processed in excess of 300 public employees retirement system contribution withdrawal requests because of employee terminations. Compared with an average total employment approximating 350 persons the number of terminations is extremely high. Numerous factors could have bearing on this excessive turnover rate, such as:

1. Low salaries for attendant counselor positions which approximate 60 percent of the work force.
2. Special summer employment.
3. Location (distance from population centers).
4. Lack of living accommodations.
5. Lack of recreational opportunities in the community.

Excessive employee turnover is expensive because of training costs, time involved in processing the related paperwork, and program continuity is adversely affected.

We have no specific recommendation to remedy this situation but are pointing out that a serious problem does exist and believe that strong efforts should be made to correct this problem.

CAPITAL CONSTRUCTION APPROPRIATIONS

Non-Recording of Inter-Fund Transfers

Section 20, House Bill 535, Session Laws of 1965 states that "With the consent of the department of institutions, moneys allocated for a project may be used for any other project at the same institution." Exhibit E of the financial statements presents an analysis of the appropriations contained in this bill.

A number of inter-project transfers were made, as shown by Exhibit E, but neither the accounting records of the institution nor the accounting records of the state controller contains any indication that the transfers were made. Rather than actually transferring funds from one appropriation to another the usage is effected by charging one appropriation for expenditures relating to another appropriation. We believe that the failure to record such transfers has adverse effects in that no accurate record of total project costs is provided and project control is weakened.

RECOMMENDATION

We recommend that when funds appropriated for one project are approved for expenditure on another project, formal transfers of funds from one project to the other be made and that expenditures then be applied to the project being benefited.

Inter-Project Transfers of Funds Without Approval

Several inter-project transfers of funds were made for which we were unable to locate written department of institutions approval, as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
Reroof Junior Hall	New Dairy Building	\$ 8,444
Reroof Junior Hall	Non-Conductive Floor Tile-Hospital	19
Screen Doors and Windows	Underground High-Voltage System	840
Transformer and Electrical Lines	Underground High-Voltage System	208
Renovate and Refrigerate Butcher Shop	Underground High-Voltage System	86
Total		<u>\$ 9,597</u>

RECOMMENDATION

We recommend that:

- (1) The institution obtain written approval from the department of institutions as provided by law prior to using the appropriation for one project to the benefit of another project.
- (2) The state controller deny payment of any claims for costs against an appropriation which costs do not benefit the specific project appropriated.

Transfer of Funds Between Biennial Appropriations

\$8,444 was expended from the 1965 appropriation to "Re-roof Junior Hall" to complete the "New Dairy Building", a project appropriated in 1963. Approval

dated March 27, 1969, was also noted for the usage of the following appropriation balances to replace the roof on the hospital:

<u>Project</u>	<u>Balance</u>
Reroof Junior Hall	\$ 8,666
Floors and insulation in attics	3,500
Transformer and electrical lines	470
Hospital ventilating equipment	2,000
Total	<u>\$14,636</u>

We question the authority of the institution to utilize funds appropriated for use in the 1965-1967 biennium for the benefit of a project appropriated in a preceding biennium or a project initiated in a succeeding biennium.

It has been the practice of the state division of architecture and engineering to encumber appropriated amounts for projects through the use of "entire project" or "various vendors" purchase orders and to leave such amounts encumbered despite the fact that the projects may have been completed or scrapped, e.g., six of the seven 1965 appropriated projects having unexpended balances at June 30, 1969 are encumbered by entire project purchase orders (see Exhibit E). As shown by Exhibit 1, the non-ambulatory unit appropriation denotes an unencumbered balance of \$139 which reverted at June 30, 1969 but was later reinstated upon the request of the division of architecture and engineering because the "various vendors" purchase order had been submitted in the wrong amount. The unencumbered balances in the 1967 appropriations for the "Non-Ambulatory Unit-Hospital" (\$9,949), "School and hospital remodeling" (\$10,020) and "Boys' and girls' dormitories" (\$821,575) were encumbered by "various vendors" purchase orders on June 26, 1969.

RECOMMENDATION

We recommend that the state controller:

- (1) Encumber appropriations for capital projects only upon the incurrence of an obligation (awarding of a contract, order for materials, etc.).
- (2) Review all presently existing encumbrances of capital projects appropriations to determine their validity and disencumber those amounts not supported by a valid obligation.
- (3) Establish the procedure of reviewing encumbrances of capital project appropriations at the end of each year to determine their validity and proper disposition.

Over-All Review of System of Budgeting, Accounting,
and Legal Statutes Relating to Construction Programs

Not a single report has been issued by this office on agencies that have construction appropriations but that we have reported discrepancies in the handling of these funds. The reported exceptions include inadequate accounting procedures, non-compliance with budgetary provisions, conflicts with statutory requirements, inconsistencies in the handling of funds transferred between projects, etc.

We believe the state controller should review all aspects, i.e., accounting, budgetary, and legal, involving the capital construction process and make such recommendations that are necessary to provide for a workable system for controlling the use of current and future construction allocations. The state controller should report to the next legislature assembly the recommendations arising from his study and we suggest he submit his conclusions to the legislative audit committee for their review and support prior to the session.

RECOMMENDATION

We recommend that the state controller study the budgetary, accounting and legal processes involved in handling state construction program funds and based on his findings, submit to the next legislature a plan that will provide for controlling the use of these funds in accordance with governmental accounting principles, legal statutes, and sound administrative practices.

UNPAID ENCUMBRANCES - GENERAL FUND

As shown by Exhibit B, at June 30, 1969, the general fund appropriation for operation and capital at boulder river school and hospital had an unexpended balance of \$64,221 of which \$62,649 was encumbered by purchase orders leaving \$1,572 reverting to the general fund. Of the total amount encumbered at June 30, \$37,005 had been expended by August 31, 1969 and \$25,644 remained encumbered at that date. The following purchase orders were encumbered prior to December 31, 1968 and remained encumbered at August 31, 1969:

<u>Date</u>	<u>Purchase Order Number</u>	<u>For</u>	<u>Encumbered 8-31-69</u>
9-25-68	234390	Clothing & Linens	\$ 739
8-2-68	233552	Feed	3
10-3-68	235854	Hearing Aid Supplies	245
12-4-68	237782	Hospital Supplies	300
8-2-68	233554	Farm Supplies	363
2-26-68	226966	Soap	37
4-4-68	228603	Shoes	265
5-16-68	229591	Steam Hose	754
8-20-68	234326	Lighting Supplies	15

8-20-68	234329	Lighting Supplies	\$ 144
9-9-68	234988	Linens	109
9-25-68	235476	Clothing	400
10-10-68	236146	Sand & Gravel	1,069
10-16-68	236341	Shoes	183
10-18-68	236620	Clothing	8,004
10-17-68	236621	Drapery Fabrics	<u>575</u>
		Total	<u>\$13,201</u>

From this list of old outstanding encumbrances carrying over into a new biennium we believe it can be concluded that improved followup procedures should be instituted by both the agency and state controller's office.

RECOMMENDATION

We recommend that the:

- (1) Boulder river school and hospital review all its older outstanding purchase orders and initiate requests to cancel those for which orders had not been placed as of June 30, 1969.
- (2) State controller initiate a procedure that will provide for an evaluation as to the validity of all outstanding purchase orders on a periodical basis.

GENERAL FIXED ASSETS

The Balance Sheet, Exhibit A, includes the general fixed assets of the boulder river school and hospital as of June 30, 1969, as they were accounted for and reported by the institution.

The institution, in the past, has not accounted for its fixed assets under the general categories of land, improvements, buildings, equipment and livestock. Rather, they have been accounted for by program. Subsidiary detail records have not been maintained. Although physical inventories of equipment have been taken in recent years they have not been costed or valued and general ledger control accounts have not reconciled with the physical inventories. Deletions have not been properly recorded to the control accounts. Equipment items are not adequately marked and controlled. In short, there is no system of accounting for general fixed assets.

RECOMMENDATION

We recommend that the boulder river school and hospital:

- (1) *Take a complete physical inventory of its fixed assets.*
- (2) *Establish a value (cost if possible) for each item.*
- (3) *Establish a general fixed asset detail ledger.*
- (4) *Revise the general ledger control accounts so that a control account exists for land, improvements, buildings, equipment, and livestock and the offsetting reserve account presents the total value by source of financing.*
- (5) *Adjust the general ledger accounts to the physical inventory.*
- (6) *Record future additions and deletions on a current basis.*
- (7) *Include a statement of changes in fixed assets with the annual financial statements.*

REVENUE

Residents' Per Diem

Section 80-1601, R.C.M. 1947, charges the department of institutions with the responsibility of collecting and processing per diem payments for the care of residents at seven institutions. Section 80-1603(1) states that the department "shall assess monthly against each resident or responsible person, the full per diem charge, a proportionate share of the per diem charge, or no per diem charge" based upon the financial information obtained by the department in its investigation.

Per diem charges for residents who receive pensions at the institution are billed to their trust accounts there. In analyzing 69 residents' accounts having balances in excess of \$1,000 at either June 30, 1968 or June 30, 1969 or both, we determined that unless "responsible persons" were being billed for a portion of these residents' per diem costs, none of them were paying the full per diem rate.

The following examples illustrate our point:

	<u>Balance 6-30-68</u>	<u>Balance 6-30-69</u>	<u>Pension Income</u>	<u>Per Diem Charges</u>	<u>Transfer to Recreation Account</u>
1.	\$ 3,798	\$ 2,999	\$ 850	\$ 1,261	\$ --
2.	1,615	1,590	1,264	840	250
3.	1,692	2,021	959	592	--
4.	786	1,092	594	333	--
5.	1,252	1,056	--	52	90
6.	1,384	1,299	898	680	300
7.	1,125	986	1,036	680	300
8.	1,419	1,272	1,295	940	350

9.	\$ 1,305	\$ 1,210	\$ 1,145	\$ 850	\$ 350
10.	1,110	1,051	1,145	740	250
11.	1,357	1,203	1,079	730	350
12.	2,278	2,117	1,111	850	350
13.	1,229	1,277	1,264	800	350
14.	1,214	1,351	1,145	730	200
15.	3,216	4,649	1,503	--	--
16.	1,260	1,013	749	600	350
17.	80	1,259	1,229	--	--
18.	1,817	1,676	1,350	1,030	350
19.	1,598	1,558	1,264	820	350
20.	1,613	1,607	1,264	820	350

The highest average monthly per diem charge reflected in this example approximates \$105 while the maximum per diem rate for the year as computed by the department of institutions was \$214.

We see no reason for residents' trust accounts to carry large balances unless the individual resident and/or a responsible person is paying the maximum per diem rate as provided for by law.

RECOMMENDATION

We recommend that the department of institutions establish stronger review procedures to assure that residents are being assessed realistic per diem charges in relation to their available funds.

Authorization for Transferring Funds from Residents' Accounts to Recreation Fund

In our analysis of the 69 residents accounts exceeding \$1,000, we noted 38 instances where funds totaling \$8,135 were transferred from individual accounts to the recreation account by the administration without written authorization to make such transfers. (See the preceding illustration denoting 15 such transfers.) We see no justification for these transfers particularly since none of the residents were paying the full per diem rate.

RECOMMENDATION

We recommend that charges to residents' accounts be limited to per diem payments and personal withdrawals with proper authorization.

Resident Insurance Policies

A number of residents at the institution are covered by their parents' or guardians' health and accident insurance policies. Present policy is to bill insurance companies only when a resident has undergone surgery. There is a definite possibility that the institution may collect from insurance companies for services other than surgery. Billing procedures are also weak in that billing is oftentimes delayed, followup is sporadic, and amounts billed are not controlled, i.e., billings are not recorded as accounts receivable.

RECOMMENDATION

We recommend that the institution establish sound administrative procedures and controls to insure that the maximum amount of insurance payments are received by:

- (1) Determining which residents are covered by insurance and what the coverage consists of.
- (2) Billing insurance companies on a timely basis for all covered services provided by the institution.
- (3) Recording the billings as accounts receivable in the formal accounting system.
- (4) Following up billings to assure that timely and proper payments are received.

CONTROL AGENCIES ACCOUNTING

Commingling of Specific Program Monies

Included in the state controller's account #403100 of the federal and private revenue fund are monies for five different programs and included in the controller's account #410404 of the same fund are monies for four different programs. (See Exhibit B-1). Each of these different programs has distinct restrictions as to the use of the funds. Although the institution accounts for the various programs separately, we believe the controller, who is responsible for determining that claims for payment are charged to the proper fund and that they are not illegal, should also account for the programs separately in order to minimize the possibility of funds restricted to one program being improperly expended thus creating a liability against the state.

RECOMMENDATION

We recommend that the operations of separate programs within the federal and private revenue fund be accounted for and reported separately by the state controller.

Inter-Program Transfers

Toward the close of fiscal year 1968-69, the following temporary transfer of funds was effected within the federal and private revenue fund:

<u>Program</u>	<u>Account Number</u>	<u>Debit</u>	<u>Credit</u>
E.S.E.A. Title I	402500	\$4,800	
Inservice Training	410404		\$3,700
Student Work Experience and Training	410404		\$1,100

We take exception to this transfer for the following reasons:

- (1) We find no authority for the state controller to make such a transfer between programs.
- (2) Interprogram receivables/payable were not reflected on the books of the institution.

RECOMMENDATION

We recommend that:

- (1) The state controller disallow transfers between programs unless properly authorized.
- (2) The institution record authorized temporary interprogram transfers as receivables/payables.

PHYSICIAN'S GENETIC RESEARCH FUND

The part-time physician employed by boulder river school and hospital and another physician are engaged in genetic research with the general objectives of gathering and disseminating genetic information. In connection with their research activities, which are mainly centered at the Boulder institution, the

physicians have established a "Genetic Research Fund" for financial purposes. This fund is not accounted for in any way by the Boulder institution or the state controller. Although the fund has been in operation for several years, articles of association were only recently drawn which state, in part, that no part of the earnings of the association shall inure to the benefit of its members.

The Montana division of vocational rehabilitation made payments totaling \$4,852 to the genetic research fund during fiscal year 1968-69. These payments were basically for medical services provided to vocational rehabilitation students at the Boulder institution on a temporary basis (summer training). The temporary students, when admitted to the institution, were hospitalized for a short time to permit the gathering of medical data which included some genetic work as well as a thorough physical and dental examination. The part-time physician provided the medical services and itemized billings, including all services and medications, were submitted to the division of vocational rehabilitation with remittances being made to the genetic research fund.

We believe that a substantial portion, if not all, of the cited vocational rehabilitation payments to the genetic fund should inure to the benefit of the state of Montana since state facilities and staff were utilized in performance of the services. The physician has concurred that services other than genetic work should inure to the state and steps are being taken to determine the amount due the state from the genetic fund.

We are of the opinion that the problem discussed here strengthens another of our recommendations contained herein to the effect that employment agreements with part-time staff be formalized.

RECOMMENDATION

We recommend that:

- (1) The part-time physician analyze the cited vocational rehabilitation payments and any similar payments made in prior years to determine the amount which, in his opinion, should inure to the state of Montana.
- (2) The physician's analysis and all pertinent facts be submitted to the department of institutions for their evaluation.
- (3) The general fund be reimbursed in an amount agreed upon by the physician and the department of institutions.
- (4) The board of institutions establish a policy with regard to arrangements of similar nature and that all such future arrangements have board approval.

CONCLUSION

Our recommendations have been discussed with the institution's superintendent, the director of the department of institutions, and, where applicable, the state controller. We thank the superintendent and his staff for their cooperation and assistance.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett
Legislative Auditor

October 20, 1969

BULLDOGS RIVER SCHOOL AND HOSPITAL
BALANCE SHEET
All Funds
June 30, 1969

Assets	General Fund	Private Revenue Fund	Federal and Bond Proceeds and Insurance Clearance Fund	Sinking Fund	Agency Fund	General Fixed Assets
Cash:						
On Hand	\$ 4,251	\$ --	\$ --	\$ --	\$ 443	\$ --
In Bank	--	\$ 5,186	\$ 748	\$ 36,947	\$ 1,631	\$ --
In State Treasury	--	\$ 16,000	\$ --	\$ --	\$ 242,193	\$ --
In Transit to State Treasury	--	--	--	--	--	--
Accounts Receivable	\$ 43,692	\$ --	\$ --	\$ --	\$ --	\$ --
Less Reserve	<u>(43,692)</u>	--	--	--	--	--
Stores Inventory	163,622	\$ --	\$ --	\$ --	\$ --	\$ --
Less Reserve	<u>(163,622)</u>	--	--	--	--	--
Deferred Charges	749	\$ --	\$ --	\$ --	\$ --	\$ --
Encumbered Appropriation	62,649	\$ --	\$ 917,831	\$ --	\$ --	\$ --
Fixed Assets:						
Balance, July 1, 1968,	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5,478,723
Unclassified	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
1968-69 Additions:	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 558,552
Buildings	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 224
Livestock	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 66,306
Equipment	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total Assets	<u>\$ 67,649</u>	<u>\$ 24,186</u>	<u>\$ 918,579</u>	<u>\$ 38,947</u>	<u>\$ 244,267</u>	<u>\$ 6,103,807</u>
Liabilities, Reserves, and Fund Balance						
Accounts Payable	\$ 23,427	\$ --	\$ --	\$ --	\$ --	\$ --
Less Reserve	<u>(23,427)</u>	\$ --	\$ --	\$ --	\$ --	\$ --
Reserves for:						
Encumbrances	62,649	2,233	917,831	\$ --	\$ --	\$ --
Investment in General Fixed Assets	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Revolving Fund Advance	5,000	\$ --	\$ --	\$ --	\$ --	\$ --
Fund Balance - Exhibit B	\$ --	<u>21,953</u>	<u>748</u>	<u>38,947</u>	<u>244,267</u>	<u>\$ 6,103,807</u>
Total Liabilities, Reserves, and Fund Balances	<u>\$ 67,649</u>	<u>\$ 24,186</u>	<u>\$ 918,579</u>	<u>\$ 38,947</u>	<u>\$ 244,267</u>	<u>\$ 6,103,807</u>

EXHIBIT B

BOULDER RIVER SCHOOL AND HOSPITAL
STATEMENT OF CHANGES IN FUND BALANCE
ALL FUNDS
Fiscal Year Ended June 30, 1969

	General Fund	Federal and Private Revenue Fund (Exhibit B-1)	Bond Proceeds and Insurance Clearance Fund (Exhibit B-2)	Sinking Fund	Agency Fund (Exhibit B-3)
Fund Balance, July 1, 1968	\$ --	\$ 9,682	\$ 960,342	\$ 36,941	\$199,268
Additions:					
Appropriations:				--	--
1968-69	2,587,300	--	--	--	--
1968-69 Supplemental	514	--	--	--	--
1967-68 Carryover	90,968	--	--	--	--
Reserve for Encumbrances, July 1, 1968	25,460	4,573	313,495	--	--
Revenues	---	<u>539,706</u>	<u>748</u>	<u>85,712</u>	<u>158,380</u>
Total Balance and Additions	2,704,242	553,961	1,274,585	122,653	357,648
Deductions:					
Expenditures - Exhibit C	2,313,731	529,775	355,867	83,706	113,381
Reserve for Encumbrances, June 30, 1969	62,649	2,233	917,831	--	--
Appropriation Transferred to Warm Springs State Hospital	317,000	--	--	--	--
Appropriation Reversions:					
1968-69	10,385	--	139	--	--
1966-67	477	--	--	--	--
Fund Balance, June 30, 1969	\$ --	\$ 21,953	\$ 748	\$ 38,947	\$ 244,267

EXHIBIT B-1

BOULDER RIVER SCHOOL AND HOSPITAL
STATEMENT OF CHANGES IN FUND BALANCE
FEDERAL AND PRIVATE REVENUE FUND
Fiscal Year Ended June 30, 1969

	E.S.E.A. Title I Program	Manpower Development and Training Program	Foster Grandparents Program	Vocational Rehabilitation Training Program	Senior Citizens Program	Hospital Improvement Project	Inservice Training Program	Student Work Experience and Training Program	Construction Grant for Non-Ambulatory Unit	Vocational Rehab. Construction Grant for Training Center	Total
Fund Balance, July 1, 1968	\$ 3,971	\$ --	\$ --	\$ --	\$ 2,953	\$ 2,377	\$ (764)	\$ 1,145	\$ --	\$ --	\$ 9,682
Additions:											
Income	153,150	1,475	38,562	11,413	17,404	108,768	6,250	--	180,500	22,184	539,706
Intrafund Transfers	4,800	--	--	--	--	--	--	--	--	--	4,800
Reserve for Encumbrances, July 1, 1968	<u>4,573</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,573</u>
+ Total Balance & Additions	166,494	1,475	38,562	11,413	20,357	111,145	5,486	1,145	180,500	22,184	558,761
Deductions:											
Expenditures	164,225	1,475	36,847	9,546	19,310	93,917	1,771	--	180,500	22,184	529,775
Intrafund Transfers	--	--	--	--	--	--	3,700	1,100	--	--	4,800
Reserve for Encumbrances, June 30, 1969	<u>1,506</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>727</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,233</u>
Fund Balance, June 30, 1969	<u>\$ 763</u>	<u>\$ --</u>	<u>\$ (3)</u>	<u>\$ 1,715</u>	<u>\$ (3)</u>	<u>\$ 1,867</u>	<u>\$ 1,047</u>	<u>\$ 16,501</u>	<u>\$ 15</u>	<u>\$ 45</u>	<u>\$ 21,953</u>
	(1)					(2)	(2)	(2)	(2)	(2)	
	(1)					(3)	(3)	(3)	(3)	(3)	

- (1) State Controller's Account #02500
- (2) State Controller's Account #10404
- (3) State Controller's Account #03120

BOULDER RIVER SCHOOL AND HOSPITAL
STATEMENT OF CHANGES IN FUND BALANCE
AGENCY FUND
Fiscal Year Ended June 30, 1969

	<u>Bequests For</u>			Residents'	
	<u>Special T.V. Fund</u>	<u>Recreational Purposes</u>	<u>Chapel Fund</u>	<u>Trust Accounts</u>	<u>Total</u>
Fund Balance, July 1, 1968	\$ 310	\$ 32,889	\$ 6,145	\$159,924	\$199,268
Receipts	--	35,836	8,865	113,679	158,380
Total Balance & Receipts	310	68,725	15,010	273,603	357,648
Disbursements	--	23,614	--	(2)89,767	113,381
Fund Balance, June 30, 1969	\$ 310	\$ 45,111	\$ 15,010	\$183,836	\$244,267

(1)

- (1) Includes canteen operations.
- (2) Includes charges for maintenance which were transferred to the general fund and amounts transferred to the recreation fund.

BOULDER RIVER SCHOOL AND HOSPITAL
STATEMENT OF EXPENDITURES
ALL FUNDS
Fiscal Year Ended June 30, 1969

	<u>General Fund</u>	<u>Federal and Private Revenue Fund</u>	<u>Bond Proceeds and Insurance Clearance Fund</u>	<u>Sinking Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<u>Administration</u>						
Personal Services	\$ 91,708	\$ 1,097	\$ --	\$ --	\$ --	\$ 92,805
Operation	39,676	44	--	--	--	39,720
Capital	6,329	3,290	--	--	--	9,619
Total	<u>137,713</u>	<u>4,431</u>				<u>142,144</u>
<u>Care and Custody</u>						
Personal Services	1,377,800	20,726	--	--	--	1,398,526
Operation	300,925	652	--	--	--	301,577
Capital	--	--	--	--	--	--
Total	<u>1,678,725</u>	<u>21,378</u>				<u>1,700,103</u>
<u>General Services and Physical Plant</u>						
Personal Services	163,284	--	--	--	--	163,284
Operation	136,173	--	--	--	--	136,173
Capital	23,430	203,953	<u>355,867</u>	--	--	583,250
Total	<u>322,887</u>	<u>203,953</u>	<u>355,867</u>	--	--	<u>882,707</u>
<u>Education and Rehabilitation</u>						
Personal Services	65,907	3,231	--	--	--	69,138
Operation	2,049	22	--	--	--	2,071
Capital	66	--	--	--	--	66
Total	<u>68,022</u>	<u>3,253</u>				<u>71,275</u>
<u>Farm or Ranch</u>						
Personal Services	60,870	--	--	--	--	60,870
Operation	43,472	--	--	--	--	43,472
Capital	7,568	--	--	--	--	7,568
Total	<u>111,910</u>					<u>111,910</u>
<u>Hospital Improvement Project</u>						
Personal Services	--	84,716	--	--	--	84,716
Operation	--	3,195	--	--	--	3,195
Capital	--	1,540	--	--	--	1,540
Total		<u>89,451</u>				<u>89,451</u>
<u>Special Education - Title I</u>						
Personal Services	--	112,129	--	--	--	112,129
Operation	--	29,056	--	--	--	29,056
Capital	--	23,040	--	--	--	23,040
Total		<u>164,225</u>				<u>164,225</u>

BOULDER RIVER SCHOOL AND HOSPITAL

STATEMENT OF EXPENDITURES

ALL FUNDS

Fiscal Year Ended June 30, 1969

EXHIBIT C (cont'd)

	<u>General Fund</u>	<u>Federal and Private Revenue Fund</u>	<u>Bond Proceeds and Insurance Clearance Fund</u>	<u>Sinking Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<u>Foster Grandparents Personal Services</u>	\$ --	\$ 34,592	\$ --	\$ --	\$ --	\$ 34,592
Operation	--	2,255	--	--	--	2,255
Capital	--	--	--	--	--	--
<u>Total</u>	--	<u>36,847</u>	--	--	--	<u>36,847</u>
 <u>Inservice Training Personal Services</u>	 197	 --	 --	 --	 --	 197
 <u>Theft Loss</u>	 514	 --	 --	 --	 --	 514
 <u>Repayments of Funds for Personal Services</u>	 --	 --	 --	 --	 --	 --
Hospital Improvement Project	(4,466)	4,466	--	--	--	89,767
Inservice Training	(1,771)	1,771	--	--	--	23,614
<u>Total</u>	<u>(6,237)</u>	<u>6,237</u>	--	--	--	<u>113,381</u>
 <u>Agency Expenditures</u>	 --	 --	 --	 --	 --	 --
Residents' Withdrawals	--	--	--	--	--	23,614
Recreational Purposes	--	--	--	--	--	23,614
<u>Total</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>113,381</u>
 <u>Bond Redemption and Interest</u>	 --	 --	 --	 80,000	 --	 80,000
Bond Redemption	--	--	--	80,000	--	80,000
Interest	--	--	--	3,706	--	3,706
<u>Total</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>83,706</u>	<u>--</u>	<u>83,706</u>
 <u>Total - All Programs</u>	<u>\$2,313,731</u>	<u>\$529,775</u>	<u>\$ 355,867</u>	<u>\$83,706</u>	<u>\$113,381</u>	<u>\$3,396,460</u>
 <u>Summary by Category</u>						
Personal Services	\$1,759,766	\$256,491	\$ --	\$ --	\$ --	\$ 2,016,257
Operation	522,295	35,224	--	--	--	557,519
Capital	37,393	231,823	355,867	--	--	625,083
Repayments - Personal Services	(6,237)	6,237	--	--	--	--
Theft Loss	514	--	--	--	--	514
Agency	--	--	--	--	113,381	113,381
Bond Redemption and Interest	--	--	--	83,706	--	83,706
Total Expenditures by Category	\$2,313,731	\$529,775	\$ 355,867	\$83,706	\$113,381	\$3,396,460

EXHIBIT D

BOULDER RIVER SCHOOL AND HOSPITAL
STATEMENT OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH APPROPRIATIONS
GENERAL FUND AND FEDERAL AND PRIVATE REVENUE FUND
Fiscal Year Ended June 30, 1969

	Balance From 1967-68 <u>Appropriation</u>	1968-69 <u>Appropriation</u>	Total <u>Available</u>	Expenditures	Transfers Out	Encumbrances	Balance Reverted
<u>General Fund</u>							
Personal Services	\$ 90,942	\$1,988,400	\$2,079,342	\$1,753,529	\$ 317,000	\$ --	\$ 8,813
Operation and Capital	25,486	598,900	624,386	559,688	--	62,649	2,049
Theft Loss	--	514	514	514	--	--	--
Total	\$116,428	\$2,587,814	\$2,704,242	\$2,313,731	\$ 317,000	\$ 62,649	\$ 10,862
<u>Federal & Private Revenue Fund</u>							
E.S.E.A. Title I Program	\$ 8,544	\$ 170,995	\$ 179,539	\$ 164,225	\$ --	\$ 1,506	\$ 13,808
Manpower Development and Training Program	--	10,716	10,716	1,475	--	--	9,241
Foster Grandparents Program	--	56,695	56,695	36,847	--	--	19,848
Vocational Rehabilitation Training Program	--	23,340	23,340	9,546	--	--	13,794
Senior Citizens Program	7,942	25,869	33,811	19,310	--	--	14,501
Hospital Improvement Project	29,290	140,256	169,546	89,451	4,466	727	74,902
Construction Grant for Non-Ambulatory Unit	--	190,000	190,000	180,500	--	--	9,500
Construction Grant for Voc. Rehab. Training Center	--	22,500	22,500	22,184	--	--	316
Inservice Training Program Boys' and Girls' Dorm	--	--	100,000	--	1,771	--	(1,771)
Total	\$145,776	\$ 640,371	\$ 786,147	\$ 523,538	\$ 6,237	\$ 2,233	\$ 254,139

BOULDER RIVER SCHOOL AND HOSPITAL
 STATEMENT OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH APPROPRIATIONS
 BOND PROCEEDS AND INSURANCE CLEARANCE FUND
 For Bienniums Ended June 30, 1967 and June 30, 1969

	<u>Appropriations</u>		<u>Prior Years</u>		<u>Total</u>	<u>Available</u> <u>July 1, 1968</u>	<u>1968-1969</u> <u>Expenditures</u>	<u>Encumbrances</u>	<u>Balance</u> <u>Reverted</u>
	<u>1965-1967</u>	<u>1967-1969</u>	<u>Inter-Project</u>	<u>Transfers</u>					
	<u>Biennium</u>	<u>Biennium</u>	<u>Transfers</u>	<u>Expenditures</u>	<u>July 1, 1968</u>	<u>\$ 8,666</u>	<u>\$ --</u>	<u>\$ 8,666</u>	<u>\$ --</u>
Reroof Junior Hall	\$ 25,000	\$ --	\$ (8,494)	\$ 17,840	\$ 8,666	\$ --	\$ --	\$ 8,666	\$ --
Renovate and Refrigerate Butcher Shop	8,500	--	(3,995)	4,505	--	--	--	--	--
Insulate Existing Steam Line	1,000	--	--	1,000	--	--	--	--	--
Floors and Insulation in Attics	3,500	--	--	--	3,500	--	--	3,500	--
Guards & Grilles for Windows & Radiators	2,500	--	--	2,500	--	--	--	--	--
Screen Doors and Windows	2,500	--	(840)	271	1,389	1,313	76	76	--
Underground High Voltage System	4,000	--	1,157	5,146	11	11	--	--	--
Transformer and Electrical Lines	3,500	--	(1,147)	1,883	470	--	470	470	--
Hospital Ventilating Equipment	2,000	--	--	--	2,000	--	2,000	2,000	--
Hospital Fire Door	400	--	--	--	400	400	--	--	--
Nine Fire Escapes	13,500	--	--	10,019	3,481	--	3,481	3,481	--
Nonconductive Floor Tile - Operating Room	1,000	--	109	1,109	--	--	--	--	--
Renovation & Kitchen Equip. - Griffin Hall	20,000	--	4,766	24,766	--	--	--	--	--
Non-Ambulatory Unit-Hospital	600,000(1)	--	--	312,346	287,654	279,978	7,537	7,537	139
School and Hospital Remodeling	--	75,000	--	7,714	67,286	56,686	10,600	10,600	--
Boys' and Girls' Dormitories	--	900,000	--	1,020	898,980	17,479	881,501	881,501	--
New Dairy Building (1963-1965 Appropriation)	--	--	8,444	8,444	--	--	--	--	--
Total	\$697,400	\$975,000	\$ --	\$398,563	\$1,273,837	\$355,867	\$917,831	\$ 139	

(1) Transferred from \$2,180,000 appropriation to department of institutions for construction of diagnostic and treatment center.

